

# ROCKBOUND

## Annual Report 1994

## **Annual General Meeting**

The Annual General Meeting will be held at 10:00 AM on Wednesday, June 21st, 1995 at:

1413 - 2nd Street S.W.  
Calgary, Alberta

Shareholders are encouraged to attend and those unable to do so should complete the form of proxy and forward it at their earliest convenience.

## **A Message To Our Shareholders**

We are pleased to present this first annual report of ROCKBOUND RESOURCES INC.. 1994 was a landmark year for ROCKBOUND highlighted by our trading commencement date of April 15, 1994 and the completion of our major transaction on October 17, 1994 which removed our junior capital pool status.

ROCKBOUND entered the second quarter of 1995 with 75 boepd of production and proved reserves of 200,000 barrels up from 45 boepd and 105,000 barrels respectively since October 1994. This growth is a result of our drilling at Inglenook, Saskatchewan and property acquisition at Tatagwa, Saskatchewan. The Company has \$200 thousand of working capital and no debt.

ROCKBOUND RESOURCES INC. operates the majority of it's properties and is a low cost producer. This operating base provides the Company with a considerable competitive advantage and the spring board to sustainable growth for the future. ROCKBOUND's carefully selected board members possess an excellent balance of skills and experience which will ensure a stable approach as we go forward.

## **Our Strategy**

The Company will continue to choose prospects which in its judgment are consistent with a prudent combination of risk and economic potential. The focus of ROCKBOUND's activities will be to secure through acquisition and drilling, properties for further development with an emphasis on operatorship to control and optimize our investment.



## Operations

During the first quarter of 1995 ROCKBOUND utilized their flow through funding to successfully participate in the drilling of a Viking oil well at Inglenook, Saskatchewan. The well earns the Company an option to participate in 3 more wells on a 320 acre parcel of land. ROCKBOUND owns a 47.5% working interest in the well.

The Company acquired a 100% working interest in 800 acres of crown land including 3 productive oil wells, 1 shut-in oil well, a water injection well and oil storage facilities at Tatagwa, Saskatchewan. The property is capable of 20 - 25 barrels per day of oil production prior to horizontal development planned for 1995.

## Outlook

With no debt and cash flow from oil dominated production the Company is well positioned and convinced of the positive long term outlook for ROCKBOUND. The activity planned for fiscal 1995 will provide the momentum for growth during the balance of the year.



Brian C. Larsen  
President and Chief Executive Officer

May 12, 1995.

**ROCKBOUND RESOURCES INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 1994 AND 1993**



1400 First Alberta Place  
777-8th Avenue S.W.  
Calgary, Canada T2P 3R5  
Telephone: (403) 298-1500  
Fax: (403) 237-0330

## AUDITORS' REPORT

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To the Shareholders  
Rockbound Resources Inc.

We have audited the consolidated balance sheets of Rockbound Resources Inc. as at December 31, 1994 and 1993 and the consolidated statement of loss and deficit for the period from commencement of operations, October 17, 1994 to December 31, 1994, and the consolidated statement of cash flow for the period from November 25, 1993 to December 31, 1993 and for the year ended December 31, 1994. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1994 and 1993 and the results of its operations and cash flow for the periods then ended in accordance with generally accepted accounting principles.

*Collins Barrow*

CHARTERED ACCOUNTANTS

Calgary, Alberta  
April 28, 1995


# ROCKBOUND RESOURCES INC.

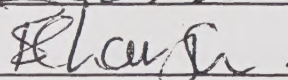
## CONSOLIDATED BALANCE SHEET

DECEMBER 31

	1994	1993
<b>Assets</b>		
Current assets		
Cash and short-term investments	\$ 367,482	\$ 75,000
Accounts receivable	101,234	-
Taxes recoverable	14,790	-
	483,506	75,000
Capital assets (note 3)	607,600	-
	\$ 1,091,106	\$ 75,000
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 81,193	\$ -
Future site restoration costs	8,360	-
<b>Shareholders' Equity</b>		
Share capital (note 5)	1,027,508	75,000
Deficit	(25,955)	-
	1,001,553	75,000
	\$ 1,091,106	\$ 75,000

Approved on behalf of the Board,

 , Director

 , Director



# ROCKBOUND RESOURCES INC.

## CONSOLIDATED STATEMENT OF LOSS AND DEFICIT

PERIOD FROM COMMENCEMENT OF OPERATIONS, OCTOBER 17, 1994 TO  
DECEMBER 31, 1994

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Revenue		
Petroleum and natural gas revenues (net)	\$	54,833
Alberta Royalty Tax Credits		1,173
Interest and other income		858
		<hr/>
		56,864
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Expenses		
Production		53,030
General and administrative		9,089
Depletion and depreciation		20,700
		<hr/>
		82,819
		<hr/>
Net loss, being deficit, end of period	\$	25,955
		<hr/>
Net loss per share	\$	0.01
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# ROCKBOUND RESOURCES INC.

## CONSOLIDATED STATEMENT OF CASH FLOW

	Year Ended December 31, 1994	Period from November 25, 1993 to December 31, 1993
Operating activities		
Net loss	\$ (25,955)	\$ -
Add item not affecting cash		
Depletion and depreciation	20,700	-
	(5,255)	-
Net change in non-cash working capital balances	(49,606)	-
Cash used in operations	(54,861)	-
Investing activities		
Acquisition of subsidiary (note 2)	(517,394)	-
Acquisition of capital assets	(87,771)	-
Cash used in investing activities	(605,165)	-
Financing activities		
Issuance of share capital	1,027,000	75,000
Share capital issuance costs	(74,492)	-
Cash from financing activities	952,508	75,000
Net cash inflow	292,482	75,000
Cash and short-term investments, beginning of period	75,000	-
Cash and short-term investments, end of period	\$ 367,482	\$ 75,000



# ROCKBOUND RESOURCES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### DECEMBER 31, 1994 AND 1993

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#### 1. Significant accounting policies

##### (a) Principles of consolidation

The consolidated financial statements includes the accounts of the company and its wholly-owned subsidiary, Triumvirate Energy Corp.

##### (b) Exploration and development costs

The company follows the full cost method of accounting whereby all costs related to the exploration for and the development of oil and gas reserves are initially capitalized. Costs capitalized include land acquisition costs, geological and geophysical expenditures, costs of drilling productive and non-productive wells, together with overhead and interest directly related to exploration and development activities and lease and well equipment. Gains or losses are not recognized upon disposition of oil and natural gas properties unless such a disposition would significantly alter the rate of depletion and depreciation.

Costs capitalized are depleted and depreciated using the unit-of-production method based upon gross proven oil and gas reserves as determined by independent and company engineers. For purposes of the calculation, oil and gas reserves are converted to a common unit of measure on the basis of their relative energy content.

In applying the full cost method, the company performs a ceiling test which restricts the capitalized costs less accumulated depletion and depreciation from exceeding an amount equal to the estimated undiscounted value of future net revenues from proven oil and gas reserves, based on current prices and costs, and after deducting estimated future general and administrative expenses, estimated future removal and site restoration costs, financing costs and income taxes.

##### (c) Joint venture accounting

Substantially all of the exploration and production activities of the company are conducted jointly with others and accordingly these financial statements reflect only the company's proportionate interest in such activities.

##### (d) Depreciation

Other equipment is depreciated using the declining balance method at the rate of 20% per annum.

# ROCKBOUND RESOURCES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### DECEMBER 31, 1994 AND 1993

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(e) Flow-through shares

Share capital includes flow-through shares issued pursuant to certain provisions of the Income Tax Act (Canada). The Act provides that, where the share issuance proceeds are used for exploration, development and land expenditures, the related income tax deductions may be renounced to subscribers. Accordingly, these expenditures provide no income tax deduction to the company.

The value assigned to the properties upon which the subscribers' funds were expended is the actual dollar amount of the expenditures with share capital being recorded based on cash received.

(f) Net loss per share

Net loss per share is calculated based on the weighted average number of common shares outstanding during the period of 4,434,813. The exercise of stock options would not be materially dilutive.

## 2. Acquisition

Effective October 17, 1994, the company acquired 100% of the issued and outstanding shares of Triumvirate Energy Corp. This acquisition was accounted for using the purchase method.

The purchase price was allocated as follows:

Cash and short-term investments	\$ 144,606
Note receivable	600,000
Capital assets	537,429
Accounts payable and accrued liabilities	(14,775)
Future site restoration costs	(5,260)
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Total purchase price	\$ 1,262,000

Consideration for the purchase consisted of:

Cash	\$ 600,000
Rockbound Resources Inc. common shares (2,206,668 at \$0.30/share) [note 5(b)]	662,000
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Total consideration	\$ 1,262,000



**ROCKBOUND RESOURCES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 1994 AND 1993**

3. Capital assets

	Cost	Accumulated Depletion and Depreciation	Net Book Value	
			1994	1993
Petroleum and natural gas properties including exploration and development thereon	\$ 427,078	\$ 12,058	\$ 415,020	\$ -
Lease and well equipment	193,237	5,342	187,895	-
Other equipment	4,885	200	4,685	-
	<u>\$ 625,200</u>	<u>\$ 17,600</u>	<u>\$ 607,600</u>	<u>\$ -</u>

Future removal and site restoration costs are estimated in aggregate to be \$110,259 of which \$3,100 was charged to income for the period ending December 31, 1994.

Included in property and equipment at December 31, 1994 are assets with a net book value of \$318,817 which have no tax base.

During the period ended December 31, 1994, the company capitalized \$42,533 in general and administrative expenses.

4. Share capital

(a) Authorized

Unlimited number of common voting shares without nominal or par value

Unlimited number of preferred shares issuable in series without nominal or par value

(b) Issued - common shares

	Number	Amount
For cash on incorporation	2,100,000	\$ 75,000
For cash pursuant to public offering	2,000,000	300,000
For shares of Triumvirate Energy Corp. [note 2]	2,206,668	662,000
For cash pursuant to flow-through share agreements [note 5(d)]	162,500	65,000
	<u>6,469,168</u>	<u>1,102,000</u>
Share issue costs		<u>74,492</u>
		<u>\$ 1,027,508</u>

# ROCKBOUND RESOURCES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### DECEMBER 31, 1994 AND 1993

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- (c) The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.
- (d) During the year, the company issued 162,500 common shares at a price of \$0.40 per share under the terms of flow-through share subscription agreements. The company agreed to renounce to subscribers exploration and development expenditures incurred pursuant to certain provisions of the Income Tax Act (Canada). As at February 28, 1995, \$52,500 of expenditures were renounced to subscribers.
- (e) Common shares totalling 3,314,780 are held in escrow. Of this total, 2,100,000 may not be released from escrow and traded without the written consent of the Chief of Securities Administration of the Alberta Securities Commission. The remaining 1,214,780 will be automatically released 1/3 per year, on October 17, 1995, 1996, and 1997.
- (f) The company has established a stock option plan for the benefit of directors, officers, employees and consultants of the company. The options were granted for an aggregate 553,000 common shares and may be exercised at prices ranging between \$0.15 to \$0.18 per share until November 25, 1998. Subsequent to year-end, an additional 50,000 options were granted to be exercised at a price of \$0.18 per share until November 25, 1998.

The company has also granted 200,000 stock options to McDermid St. Lawrence Chisholm Ltd. to be exercised at a price of \$0.15 per share until September 15, 1995. Subsequent to year-end, 15,000 of these options were exercised.

#### 5. Related party transactions

During the year, \$45,000 in geological consulting fees were paid to a director and officer of the company.